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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4667
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0932
RUEHBY/AMEMBASSY CANBERRA 9705
RUEHKA/AMEMBASSY DHAKA 4193
RUEHLO/AMEMBASSY LONDON 1649
RUEHNE/AMEMBASSY NEW DELHI 3375
RUEHUL/AMEMBASSY SEOUL 6801
RUEHTC/AMEMBASSY THE HAGUE 0526
RUEHKO/AMEMBASSY TOKYO 4416
RUEHCI/AMCONSUL CALCUTTA 0782
RUEHCN/AMCONSUL CHENGDU 0784
RUDKIA/AMCONSUL CHIANG MAI 0454
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 2715
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 0359
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000777

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STATE FOR EAP/MLS; PACOM FOR FPA; TREASURY FOR OASIA:AJEWELL

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TAGS: [ECON](#) [PREL](#) [PGOV](#) [BM](#)

SUBJECT: AT THE BURMA/INDIA BORDER: CHINESE GOODS AND TIGHT
SECURITY

REF: RANGOON 456

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Classified By: Poloff ATrimble for Reasons 1.4 (b,d)

11. (SBU) Summary: A recent trip to the Burma/India border in Sagaing Division revealed that, as elsewhere, Chinese products dominate border trade. Tight official security in Tamu restricted our movement and access to Burmese citizens in this area where some insurgents remain active. Unlike some other areas in Burma, the majority Christian communities in this region experience little religious persecution beyond the complications imposed by corrupt officials. Economic conditions in western Sagaing are poor and getting poorer. Businesses make obvious use of child labor, and local authorities did not try to hide their use of forced labor for infrastructure projects. End Summary.

The New Burma Road

12. (SBU) Emboffs traveled to the Burma/India border area on May 6-10. In Tamu, a bustling Sagaing Division town that serves as the main trading point with India, local contacts reported that virtually all goods entering India from Burma were of Chinese origin. Large trucks with Chinese goods arrive daily from Mandalay or directly from Muse, the chief trading post on the Burma/Chinese border. Traders primarily sell their Chinese goods to Indian day visitors via the Nat Pha Lon market, next to the border checkpoint. The only Burmese items sold at the market were local rice, fruits, and vegetables. Chinese products are cheaper and easier to procure in Tamu than in eastern India, so many Indians purchase goods in bulk at the market to carry to the nearby Indian town of Molay.

13. (SBU) Officials only allowed emboffs to visit the

pedestrian border crossing point. Contacts told us that ordinary Burmese cannot cross the border; only businessmen with close government connections are allowed to enter India from Tamu. Local authorities did not allow emboffs to visit the vehicular crossing checkpoint. One security official warned us the area was off limits and claimed that there was no smuggling, drug running, or insurgency activity near Tamu, but later added that whenever there were problems, they were handled at the lowest possible level to avoid upsetting the chain of command. He added that local Burmese and Indian authorities meet once a month to discuss border issues of mutual concern.

¶4. (C) According to Rangoon-based Indian diplomats, India's primary interest in engaging Burma is to enhance security along the India/Burma border. The Indian DCM, Manoj Bharti, told emboffs that, with several Indian states near Burma seeking greater autonomy from New Delhi, India's chief concern is that insurgent groups maintain camps in Burma from which they conduct cross-border actions in India. New Delhi is increasingly concerned that, although the GOB is aware of these camps, Burmese authorities are not taking action against the insurgent groups. India's assistance to Burma thus focuses on upgrading infrastructure in the border area to improve border management and allow GOB forces to apprehend insurgents who flee into Burma. While Burma is India's top supplier of beans and pulses, most of this trade goes via sea, and there is little bilateral trade across the border. Official GOB statistics show that less than 10% of Burma/India trade crosses the border at Tamu.

Protecting Interests

¶5. (SBU) At Tamu, at least half a dozen security personnel hovered around emboffs constantly, monitoring every movement

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and conversation. Those Burmese citizens undeterred by the security blanket were quickly pulled aside and warned as they tried to approach emboffs. Lacking alternative contacts, emboffs invited members of the security detail to join them for refreshments at a local golf course. The police lieutenant in charge said his primary mission was to provide tight security for emboffs, and the penalty for failure was imprisonment. He said local security officials were mainly concerned about insurgents from the "democratic country" (India) and the armed group known as the All Burma Students Democratic Front (ABSDF). The other officers present became animated when the subject of recent pay raises (reftel) came up, and all said they were very pleased with the government's action. The lieutenant felt the GOB was rewarding officials for increased revenues from customs duties.

You May Pray - If You Pay

¶6. (C) On May 7, emboffs visited a large new Baptist church under construction in Tamu, accompanied by the Kale Valley Baptist Association minister. He said that, although he faced normal administrative problems, regime authorities did not impede his church's construction. He admitted that a little money often helped improve the cooperation of local officials. Emboffs talked with the Mother Superior at St. Mary's Catholic Church, who also said there was no real religious persecution to report, although cooperation with officials came with a cost. She laughed and indicated that all it took was a little money "under the table" to help the church accomplish its goals, saying the Church does business that way all over the world. She expressed concern about the rising cost of building materials and how it might affect construction of the Church's new nunnery. She noted that a government official recently visited St. Mary's and advised her to finish the nunnery quickly, because there were no guarantees about the future.

Economy Down, Forced Labor Up

¶7. (SBU) Emboffs visited the towns of Kale, Tamu, Monywa, and Pakokku in Sagaing Division. At each stop, locals complained that the economy continues to deteriorate. Since March, they reported that prices for food, consumer goods, and construction materials had risen 20 to 30 percent. One businessman reported that he could no longer afford the cost of concrete for his construction company, but the beer business at his two restaurants was booming. He noted that, as the economy worsened, greater numbers of Burmese were drinking heavily.

¶8. (SBU) Emboffs observed children, some as young as six years old, working in restaurants, factories, and small shops at almost every city and village visited. The children usually said that they were on break from school and were trying to help make money for their families. During the drive from Kale to Monywa, emboffs also observed labor teams of local villagers directed by military authorities to repair roads that were washed out by recent mudslides. Under the watchful eye of GOB soldiers, the village laborers, mostly young women, hauled rocks and shoveled mud from the roadway.

¶9. (SBU) Comment: Six decades ago during World War Two, thousands of American and allied lives were lost forging a road out of mountainous Burmese jungles to supply China from eastern India. Today, almost all of the trade flows the opposite direction, with cheap Chinese goods pouring through Burma to reach more dynamic markets in India. A few Burmese entrepreneurs and the corrupt border officials gain some benefits from expediting the China/India trade flow. Tamu is becoming a Chinese market for Indian entrepreneurs. The

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contrast in security is also striking between Tamu and Muse on the Burma/Chinese border, with its much more porous border and open atmosphere. Muse does not face the same security environment or political sensitivities as Tamu, and certainly sees a much higher volume of trade. Until transportation links between India and Burma are completed and political dialogue improves, this border post will remain a remote corner of the country where corruption, child labor, forced labor, and oppressive security continue largely unobserved and unaddressed. End comment.
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